

ANNUAL REPORT

FORD MOTOR COMPANY OF CANADA, LIMITED

WINDSOR, ONTARIO

YEAR ENDED DECEMBER 31ST, 1939

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FORD MOTOR COMPANY OF CANADA, LIMITED

BOARD OF DIRECTORS

EDSEL B. FORD, *Chairman*

HENRY FORD

W. R. CAMPBELL

G. E. DICKERT

P. E. MARTIN

OFFICERS

EDSEL B. FORD, *Chairman of the Board*

W. R. CAMPBELL, *President and Treasurer*

G. E. DICKERT, *First Vice-President*

P. E. MARTIN, *Second Vice-President*

D. B. GREIG, *Secretary and Assistant Treasurer*

G. G. KEW, *Assistant Secretary and Assistant Treasurer*

AUDITORS

CLARKSON, GORDON, DILWORTH & NASH

DIRECTORS' REPORT

TO THE SHAREHOLDERS:

The annual report of the company for the year ended December 31st, 1939 together with the report of the auditors, is submitted herewith by the Board of Directors. The balance sheet and other statements have been compiled so as to provide a comparison with those of the previous year.

Net profit for the year, including dividends received from subsidiary companies, was \$3,012,570.88, equivalent to \$1.81 per share, while in 1938 comparable net profit was \$3,253,175.92 or \$1.96 per share.

Receipts from sales and other income, exclusive of investment income, amounted to \$43,734,289.62 as compared with \$46,850,150.63 in 1938. Sales of automotive units, including shipments to subsidiary companies, totalled 62,544, the corresponding total for the previous year being 69,164. The reduction in volume of sales was principally in the domestic market.

The operating profit on the output of the Canadian factory and branches, including export shipments, amounted to \$1,334,299.69, a decrease of \$633,446.57 from the amount shown for 1938. The reduction in operating profit was largely attributable to the lower volume of sales and adjustment of an overestimate of customs duty drawback receivable amounting to \$206,541.20.

Profits of overseas subsidiary companies increased from \$3,081,984.00 in 1938 to \$3,213,675.00 in 1939 and dividends paid by them during the year amounted to \$2,218,241.32. After giving effect to the fall in exchange rates in 1939 of approximately five per cent., the aggregate surplus accounts of these companies at December 31st, 1939 totalled \$4,056,017.00 in comparison with \$3,228,960.00 at December 31st, 1938.

Investment in bonds increased by \$438,226.60. The company's holdings of bonds are largely short term maturities and approximately 90 per cent. of the total matures within five years. The amount by which the carrying value of bonds exceeded the market value as at December 31st, 1939 was \$160,567.59 while the corresponding amount at December 31st, 1938 was \$215,876.22.

Notes, drafts and open accounts increased by \$505,394.56 as the result of increased volume of sales in the final quarter of 1939 in comparison with the same period in 1938.

Drawback and refund claims of customs duty are lower than the previous year by \$446,624.70, owing to the adjustment previously mentioned and to receipt of substantial provisional payments.

Investment in shares of subsidiary companies increased by \$1,396,200.00. This amount was paid for an issue of additional shares of Ford Motor Company of South Africa, Limited, in order to provide increased working capital for that company. The total investment in this subsidiary company is now \$2,365,443.60, all of its issued shares being owned by the company.

Additions to plant during the year, consisting principally of machinery, equipment and power producing facilities, resulted in an expenditure of \$1,765,619.38, while assets having an original value of \$809,961.19 and no longer required by the company were disposed of, leaving a net increase for the year in land, buildings, machinery and equipment account of \$955,658.19.

Included in operating charges for the year was provision for depreciation amounting to \$1,035,754.52 which was added to the reserve for depreciation of buildings, machinery and equipment. A deduction of \$768,990.24 was made from this reserve for the amount of accrued depreciation on assets disposed of, leaving a net increase for 1939 of \$266,764.28.

Regular quarterly dividends of twenty-five cents (25c) per share were paid during the year, aggregating \$1,658,960.00. Earned surplus at December 31st, 1939 amounted to \$23,887,717.31 being an increase of \$1,353,610.88 over the previous year.

The outbreak of war in the latter part of the year was followed by import restrictions and exchange control regulations in practically all overseas markets. While the company's overseas trade in 1939 was not seriously affected by such measures, it is evident that the continued enforcement of these regulations will adversely affect this business which normally represents 42 per cent. of the sales volume of the company. Representations continue to be made in an endeavor to secure more satisfactory arrangements in respect of this export trade.

For the Directors

W. R. CAMPBELL

PRESIDENT

Windsor, Ontario,
April 5th, 1940.

FORD MOTOR COMPANY

BALANCE

DECEMBER

(With comparative balances)

ASSETS

	1939	1938
CASH AND BONDS		
Cash on hand and in banks	\$ 4,172,629.92	\$ 5,087,400.12
Bonds issued or guaranteed by the Dominion, Provincial or Municipal Governments in Canada, at not more than cost	5,053,260.50	4,615,033.90
Market value December 31st, 1939, \$4,892,692.91 1938, \$4,399,157.68		
Interest accrued on bonds and bank balances	30,581.66	28,338.91
	<u>9,256,472.08</u>	<u>9,730,772.93</u>
ACCOUNTS RECEIVABLE		
Notes, drafts and open accounts less reserve for doubtful debts	1,897,048.73	1,391,654.17
Drawback and refund claims of customs duty	184,422.70	631,047.40
From overseas subsidiary companies—fully covered by cash, net current accounts and inventories of those companies	4,351,196.30	3,995,534.53
	<u>6,432,667.73</u>	<u>6,018,236.10</u>
INVENTORIES —as determined and certified by company officials based on physical count at August 31st, 1939, adjusted to December 31st, 1939, and priced at not more than the lower of cost or market value	5,819,605.90	6,263,629.92
TOTAL CURRENT ASSETS	<u>21,508,745.71</u>	<u>22,012,638.95</u>
DEFERRED CHARGES , etc.—mainly expenditures on account of the ensuing year's production	445,376.61	474,155.12
SHARES OF SUBSIDIARY COMPANIES —fully paid	11,623,733.70	10,227,533.70
LAND, BUILDINGS, MACHINERY AND EQUIPMENT —at not more than cost	35,120,634.36	34,164,976.17
PATENTS	1.00	1.00
	<u>\$ 68,698,491.38</u>	<u>\$ 66,879,304.94</u>

See last page for Auditors' Report.

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E SHEET

at 31st, 1939

as at December 31st, 1938)

LIABILITIES

	1939	1938
ACCOUNTS PAYABLE		
Purchase creditors, accrued wages and expenses	\$ 4,560,146.48	\$ 4,387,846.57
Income and other taxes payable in Canada	763,955.68	737,444.31
TOTAL CURRENT LIABILITIES	<u>5,324,102.16</u>	<u>5,125,290.88</u>

RESERVES

For depreciation of buildings, machinery and equipment	21,857,571.91	21,590,807.63
For investments	1,000,000.00	1,000,000.00
General Reserve	3,250,000.00	3,250,000.00
	<u>26,107,571.91</u>	<u>25,840,807.63</u>

CAPITAL

Authorized:

1,900,000 shares class "A" no par value
100,000 shares class "B" no par value

Issued and fully paid:

1,588,960 shares class "A" no par value }	13,379,100.00	13,379,100.00
70,000 shares class "B" no par value }		

EARNED SURPLUS	23,887,717.31	22,534,106.43
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Approved on behalf of the Board,

W. R. CAMPBELL, Director
G. E. DICKERT, Director

<u>\$ 68,698,491.38</u>	<u>\$ 66,879,304.94</u>
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STATEMENT OF INCOME AND EXPENDITURE

For the year ended December 31st, 1939

(With a comparative statement for the year ended December 31st, 1938)

	1939	1938
Operating profit of the Canadian factory and branches after all operating charges*	\$ 1,334,299.69	\$ 1,967,746.26
Portion of the aggregate operating profits for the year of overseas subsidiary automobile manufacturing and distributing companies, withdrawn in the form of dividends received	2,218,241.32	1,651,473.50
Interest on bonds	90,078.00	93,281.47
Net profit on sale of investments and fixed assets	10,745.49	42,555.76
Net profit before income taxes	<u>3,653,364.50</u>	<u>3,755,056.99</u>
Provision for income taxes:		
Canadian	532,883.52	451,407.07
Other	107,910.10	50,474.00
	<u>640,793.62</u>	<u>501,881.07</u>
Net profit for the year	<u>\$ 3,012,570.88</u>	<u>\$ 3,253,175.92</u>

* Operating charges for 1939 include provision for depreciation \$1,035,754.52, remuneration to executive officers \$224,000.00, solicitors' fees \$17,006.00, and directors' fees \$3,000.00.

Corresponding items for 1938 were—provision for depreciation \$927,757.32, remuneration to executive officers \$257,600.00, solicitors' fees \$20,425.00, and directors' fees \$3,000.00.

STATEMENT OF EARNED SURPLUS

For the year ended December 31st, 1939

(With a comparative statement for the year ended December 31st, 1938)

	1939	1938
Earned surplus at beginning of year	\$ 22,534,106.43	\$ 20,939,890.51
Net profit for the year	3,012,570.88	3,253,175.92
	<u>25,546,677.31</u>	<u>24,193,066.43</u>
Deduct:—		
Dividends paid:		
Class "A" shares	1,588,960.00	1,588,960.00
Class "B" shares	70,000.00	70,000.00
	<u>1,658,960.00</u>	<u>1,658,960.00</u>
Earned surplus at end of year	<u>\$ 23,887,717.31</u>	<u>\$ 22,534,106.43</u>

AUDITORS' REPORT TO SHAREHOLDERS

We have made an examination of the balance sheet of Ford Motor Company of Canada, Limited as at December 31st, 1939 and of the related statements of income and expenditure and earned surplus for the year ended that date. In connection therewith we made substantial tests during the year of accounting records at the head office and obtained all the information and explanations we required from the company's officers and employees; we also made a general review of accounting methods and reviewed the reports from the company's audit department on the test audit of accounting records at branches.

We report that in our opinion the accompanying balance sheet and related statements of income and expenditure and earned surplus have been drawn up so as to exhibit a true and correct view of the state of the company's affairs at December 31st, 1939 and of the results of its operations for the year ended on that date according to the best of our information, the explanations given us and as shown by the books.

As required by the Dominion Companies Act, Section 114, we report that net profits of subsidiary companies for the year ended December 31st, 1939 have been taken into account only to the extent of the dividends received from those companies as shown in the statement of income and expenditure and in the aggregate were in excess of such dividends.

Clarkson, Gordon, Dilworth & Nash,
Chartered Accountants.

Toronto, Canada
March 25th, 1940.

